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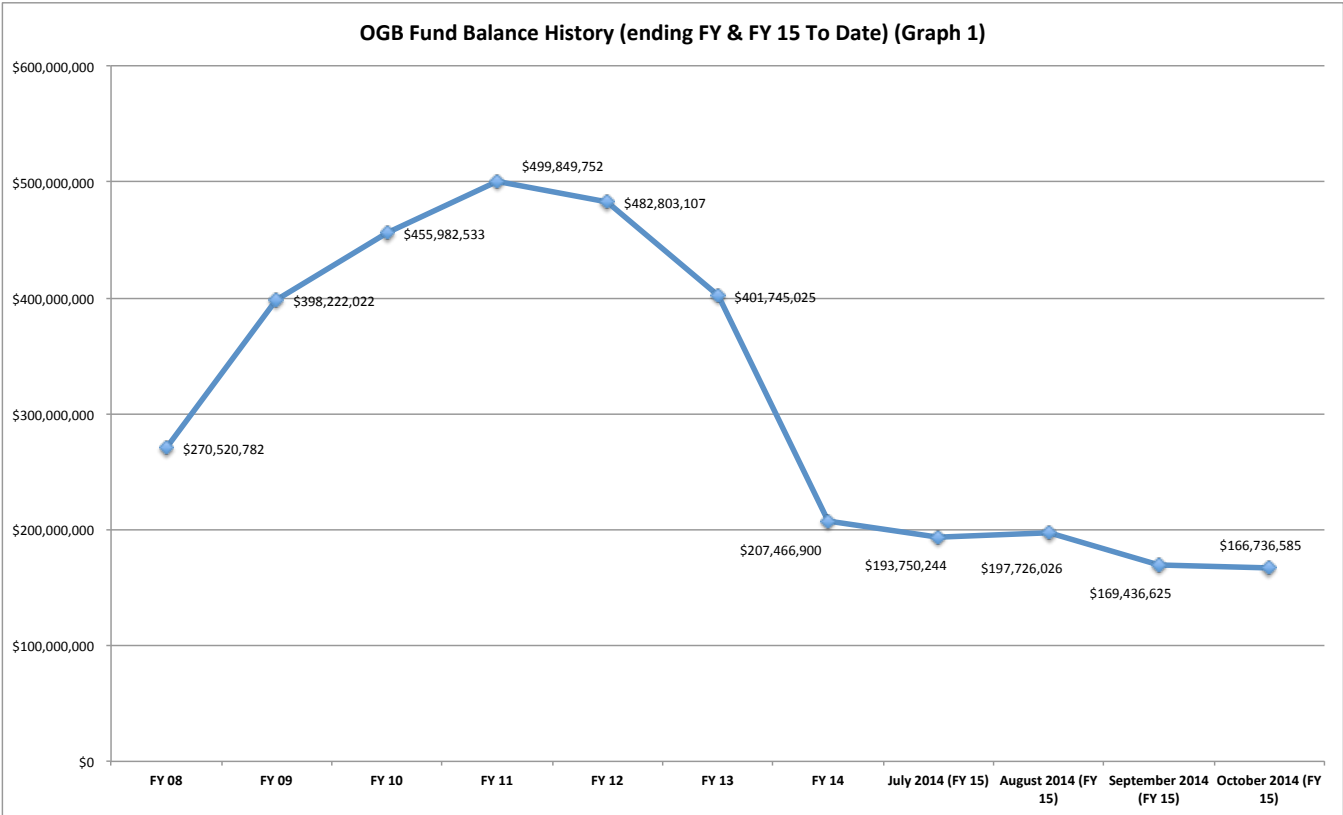
TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)
The Honorable Jack Donahue, Vice Chairman Joint Legislative Committee on the Budget (JLCB)
Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: J. Travis McIlwain, Section Director
John D. Carpenter, Legislative Fiscal Officer

DATE: November 21, 2014

SUBJECT: Office of Group Benefits (OGB) Update (November 2014)

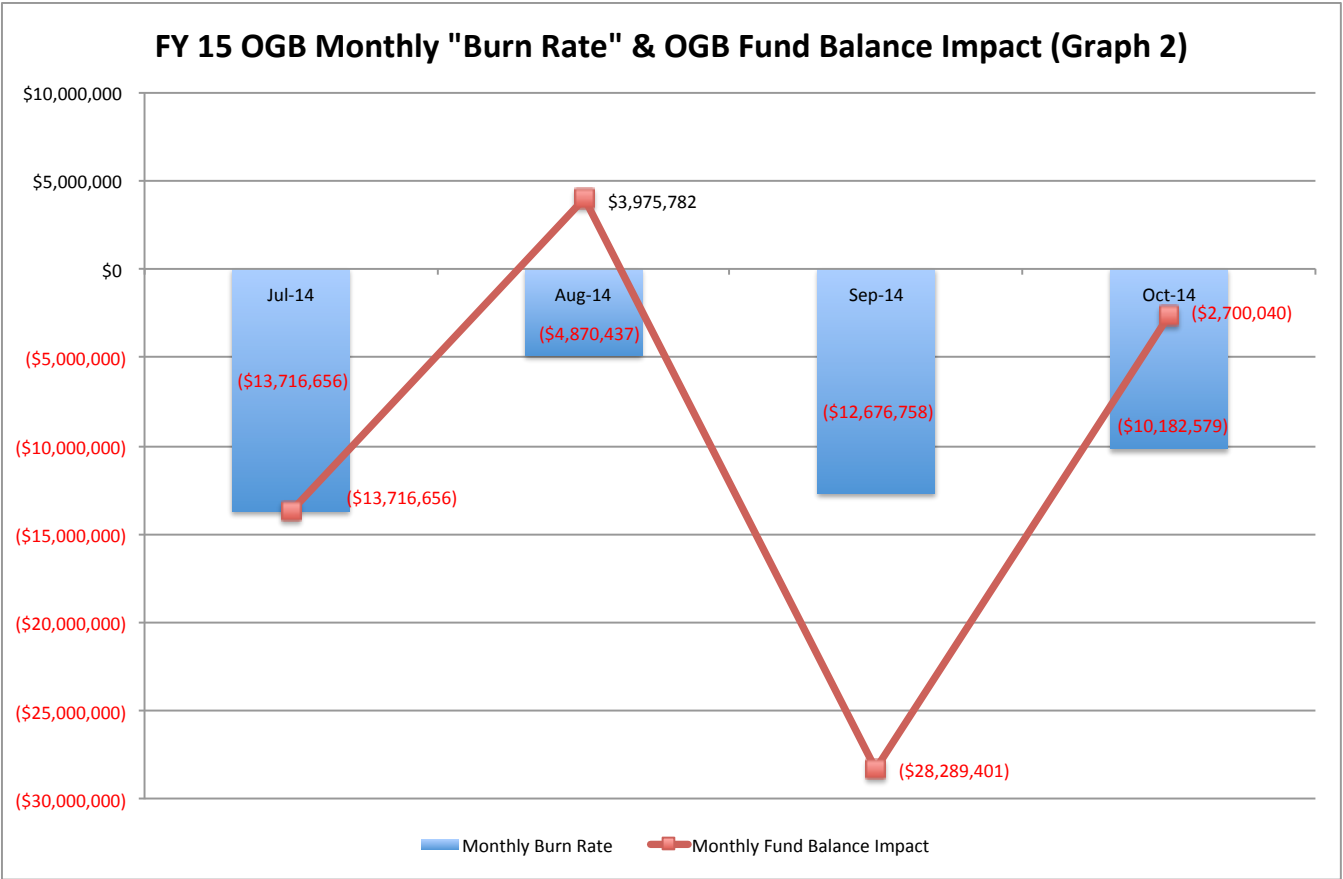
Graph 1 below depicts the OGB Fund Balance History from FY 08 to FY 14 along with ending balance for the months of July 2014 through October 2014 (FY 15).



Since the beginning of FY 15, OGB’s expenditures have been approximately \$40.7 M more than actual revenue collections through October 2014. This has resulted in the OGB fund balance decreasing from \$207 M to \$166 M. The decrease equates to an updated monthly burn rate of \$10.2 M per month through October 2014.

Graph 2 on the next page depicts the FY 15 Monthly OGB fund balance burn rate along with the monthly fund balance dollar change.

To the extent the burn rate does not change, OGB’s FY 15 ending year fund balance could be less than \$90 M. However, once the new plan design changes go into effect on March 1, 2015, the current burn rate of \$10.2 M per month will likely be reduced, which may result in the FY 15 ending year fund balance to be some amount greater than \$90 M.



Scaling back the out-of-pocket maximums and deductibles from the original health plan design recommendation is anticipated to decrease the OGB’s original cost savings for health plan design changes by approximately \$9 M in FY 15. Table 1 below compares the original OGB FY 15 saving estimates to the estimates today accounting for all the changes that have been discussed to date. Based upon the table, the net impact to the OGB original savings as result of modifications equates to approximately \$33.5 M of lost savings in FY 15 and annualized lost savings of \$27 M in FY 16 for a total two-year savings impact of approximately \$60.5 M.

Comparison of Original FY 15 Savings to Today All Net Positive to OGB Fund Balance (Table 1)	Original FY 15 Savings	Moving Annual Enrollment Back To March 1, 2015	Scaling Back OOM & Deductibles	Re-Adjudication August 1st Changes	TOTAL FY 15	Difference Between Original Savings & Current
Total Health Plan Changes Including Prescription Drugs	\$131,800,000	(\$20,033,332)	(\$8,999,333)	(\$4,478,303)	\$98,289,032	(\$33,510,968)
5% Premium Increase (Effective July 1, 2014)	\$57,900,000	\$0	\$0	\$0	\$57,900,000	\$0
FY 15 Grand Total Net Impact to OGB Fund Balance	\$189,700,000	(\$20,033,332)	(\$8,999,333)	(\$4,478,303)	\$156,189,032	(\$33,510,968)

Graph 3 depicts FY 15 monthly OGB revenues, expenditures, fund balance and percentage change in fund balance through October 2014. October expenditure activity utilized approximately \$2.7 M of OGB’s current fund balance to pay expenditures, which is a significant improvement from September 2014 in which OGB utilized \$28 M of fund balance to pay expenditures. The use of \$28 M of fund balance is illustrated in the negative 14% change of OGB overall fund balance through the month of September, while for the month of October that negative percent change has improved to 2%. Graph 4 is a depiction of monthly medical claims expenditures through October 2014 (PPO, HMO and MedImpact Rx claims only) for FY 15.

Both of these graphs are on the next page.

